



HDFC securities

Equity
Research

Pick_{of the}
week

Industry	CMP	Recommendation	Add on dips to	Target	Time Horizon
Media / Entertainment	Rs. 87	Buy at CMP and add on Dips	Rs. 78-87	Rs. 119	3 - 4 Quarters

Company Background

HT Media is a media powerhouse engaged in printing and publishing of newspapers and Radio Broadcasting. The Company's segments include Printing & Publishing; Radio Broadcast & Entertainment, and Digital. The Company is engaged in providing entertainment through its radio channels operating under brand name Fever 104 and Radio Nasha 107.2 in India. It is involved in printing and publishing of Hindustan Times, Hindustan and Mint. The Company's digital business consists of Shine.com, which is a job portal; Desimartini.com, which is an online movie review and rating platform; HT Campus.com, which is an online education portal that provides information to the students on colleges and courses; Hindustantimes.com, which is a news Website, and livemint.com, which is a business news Website. The Company offers a range of digital and social solutions through its mobile marketing brand, Digital Quotient (DQ).

HT Media is a leading Indian print media company with a readership base of ~16mn and average daily circulation of ~4.1mn. Hindustan Times (English daily) and Hindustan (Hindi daily) are leading brands ranked 2nd and 3rd respectively on pan-India basis in their respective genres. 'Mint' is the second most read business daily in India. HT Media's radio business is concentrated largely in the four metros. The company's online portfolio is focused on news, networking, jobs and education space. The segment is posting operating losses however we expect operating performance from the segment would improve in the coming years. HT Media holds 75% stake in Hindustan Media Ventures Ltd (HMVL). Through which company has presence in hindi print media (Hindustan).

During the year FY17, Company strengthened position in each sector. In the print space, Hindustan Times has retained its leadership position in Delhi-NCR. It was positioned as No. 2 in Mumbai. HT's circulation reached 1 million copies in Delhi-NCR and 0.43 million copies in Mumbai. On the other hand, Hindustan maintained its No. 1 position in Bihar, Jharkhand and Uttarakhand and No. 2 position in Delhi and Uttar Pradesh.

Investment Rationale

HT Media's Radio and Digital segment would continue to show robust growth trajectory in the next two-three years. The segments posted operational losses in the past years however we expect losses to reduce significantly in the next two - three years.

Advertising growth is expected to accelerate with an eventual recovery in the Indian economy and considering company's status as one of the most read Hindi newspaper in the country and its strong presence in the rapidly growing Hindi markets should boost profitability. HT Media has Rs 1985cr in Fixed Maturity Plans (FMP) as on FY17. Other Income from for the company stood at Rs 229cr for FY17.

HDFC Scrip Code	HTMEDI
BSE Code	532662
NSE Code	HTMEDIA
Bloomberg	HTML
CMP as on 18 Aug'17	87
Equity Capital (Rs cr)	46
Face Value (Rs)	10
Equity O/S (cr)	23
Market Cap (Rs Cr)	2021
Book Value (Rs)	97
Avg. 52 Week Vol	344383
52 Week High (Rs)	96
52 Week Low (Rs)	69

Shareholding Pattern (%)

Promoters	69.5
Institutions	20.3
Non Institutions	10.2

PCG Risk	Yellow
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* Refer Rating explanation

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KEY HIGHLIGHTS

- **HT Media is a media powerhouse engaged in printing and publishing of newspapers and Radio Broadcasting**
- **HT Media is a leading Indian print media company with a readership base of ~16mn and average daily circulation of ~4.1mn; 'Mint' is the second most read business daily in India**
- **HT Media's Radio and Digital segment would continue to show robust growth trajectory in the next two-three years**
- **HT Media trades at ~9.5x FY19E earnings and 7.4x EV/EBITDA**

HT Media has posted just 5% revenue growth over FY13-17 with Operating Margin around 12%. PAT has remained virtually flat over the same period around Rs 170-180cr. We forecast 7.2% revenue cagr led by strong performance from Radio and Digital segment. Better operational performance would drive 12% PAT vgr over FY17-19E.

Company had come out with maiden public offer in Aug 2005 at Rs 106 with approximately equity shares of 3.9cr and had raised ~Rs 400cr. Over the last 12 years, company's revenues have grown 3x while bottom-line has seen ~2x surge, while stock has underperformed over the past few years.

HT Media trades at ~9.5x FY19E earnings and 7.4x EV/EBITDA. Company has Book Value of Rs 97 as on FY17, stock trades at P/BV of 0.9x while on FY19E basis it trades very attractive 0.7x. We recommend BUY on HT Media at CMP of Rs 87 and add on dips to Rs 78 with Target Price of Rs 119 over the next 3-4 quarters based upon 13x FY19E EPS.

About its subsidiary Hindustan Media Ventures

HT Media holds 75% stake in Hindustan Media Ventures Ltd. (HMVL). The Company's Hindustan is a Hindi daily, which includes coverage of local, national and international news relating to politics, business, entertainment, sports and other general interests. Its other offerings include a weekly supplement dealing with issues close to women; a weekly supplement for jobs; a monthly magazine with cultural and literary content; online Hindi news Website; matters relating to health and lifestyle; weekly supplement featuring stories of the glamour world; weekly supplement on education, and children's magazine. Its brands include Hindustan, Anokhee, Hindustan Job Search, Kadambini, Tann Mann and Nandan, among others. Its Live is an extension of Hindustan that covers city-based news and events. The Company has operations in Delhi, Uttarakhand, Uttar Pradesh, Bihar and Jharkhand.

Business Segments for HT Media**Newspapers**

Hindustan Times

HT Media has good positioning in the newspaper segment, with the flagship newspaper Hindustan Times continuing to be amongst the most widely read newspapers in the country. HT is published from many cities and remains the undisputed leader in the Delhi-NCR region, retaining its No. 1 position as the leading English language daily in the Capital. In Mumbai, HT has emerged as the city's No. 2 English newspaper. Hindustan Times was recognised as the 'Most Trusted Print Media Brand' by the Brand Trust Report, 2016.

Mint

Mint retained its No. 2 position among business dailies. Mint Asia, a weekly newspaper published from Singapore, was extended to Kuala Lumpur in Malaysia. Mint Asia has received a good response for its India-centric content.

Hindustan

Hindustan is the second largest newspaper in India. It also retained its No. 1 position in Bihar, Jharkhand & Uttarakhand and No. 2 position in UP.

Radio Business

The Radio business is growing at a healthy pace with continued efforts to expand this business. This segment grew by 18% over the last year from Rs 99 crore to Rs 117 crore in FY16, driven by increase in advertising revenue. In FY17, it has posted strong 36% yoy revenue growth to Rs 159cr.

Fever 104 FM

HT Media operates the Radio business under Fever brand, which has emerged as a significant driver of the Company's growth. It is present in New Delhi, Kolkata, Bengaluru, Mumbai and Chennai. Fever 104 was adjudged the 'Most Trusted Radio Brand' by the Brand Trust Report, 2016.

Fever entered Chennai market

Fever acquired an existing radio station in Chennai, and completely transformed the same from product, brand and identity standpoint. Fever 91.9 FM tapped into emerging cultural and entertainment trends of Chennai; and took the forward looking decision to present Bollywood to Chennai. Aggressive marketing initiatives were adopted to improve upon the connect with the listeners.

Radio Nasha

During the recent FM Radio Phase III license auctions, HT Media has acquired ten new FM Radio frequencies, one each in New Delhi, Mumbai & Hyderabad, and in seven towns of Uttar Pradesh. HT Media launched its second radio station Radio Nasha in New Delhi & Mumbai in 2016. Radio Nasha plays Bollywood music from 70s, 80s and 90s. The new stations have met with positive audience response and appreciation.

Performance overview for the Radio

Fever FM is the fastest growing radio station in the country. The strategic direction has been to segregate the radio-listening market into two distinct segments – the existing Fever 104 FM that plays contemporary hit Bollywood music; and Radio Nasha that will play cool retro music. The two differentiated radio stations offer advertisers a choice of two sets of audiences. Fever has a revenue market share of 23%, leadership position in Delhi, Bengaluru and Kolkata markets and is the fastest growing Radio station in Mumbai.

Digital Segment

Shine.com

Launched in 2008, Shine.com is one of the fastest growing job portals in the country. It has close to 3 lacs job openings on its site and a large database of over 1.5 crore jobseekers. Shine.com has added many new features to its mobile application to make the user interface more engaging; and also simplifying the process for jobseekers. During FY16, Shine.com had registered 29% revenue growth, compared to the previous year.

HTCampus.com

HTCampus.com is HT Media's venture into online education, providing valuable information to the students on colleges and courses. It includes multiple education-related websites like My Colleges Abroad.com, ResultsOut.com and MyMbaColleges.com. With improved product offerings for students and educational institutes, HTCampus maintained its growth graph during the year.

Digital Quotient

HT Media offers a wide range of digital and social solutions through its mobile marketing brand, Digital Quotient (DQ). During the year, DQ continued to add value to its existing clients, while expanding its reach to new clients.

Education segment

Studymate and Englishmate

Studymate is a supplementary education service offered for class VIII to XII students under the Company's subsidiary HT Learning Centers Limited (HTLC). It caters to CBSE curriculum offering four subjects in High School (Class VIII to X) and eight subjects in Senior School (Class XI & XII) across 23 centres. In FY 16, Studymate improved the academics of over 5,000 students.

HTLC's growth strategy is to expand within Delhi-NCR and then create presence in nearby markets outside Delhi. To ensure a higher same store sales growth, HTLC also plans to significantly grow its English language training brand 'Englishmate', utilising the existing physical infrastructure during the day and selectively in the evening.

Bridge

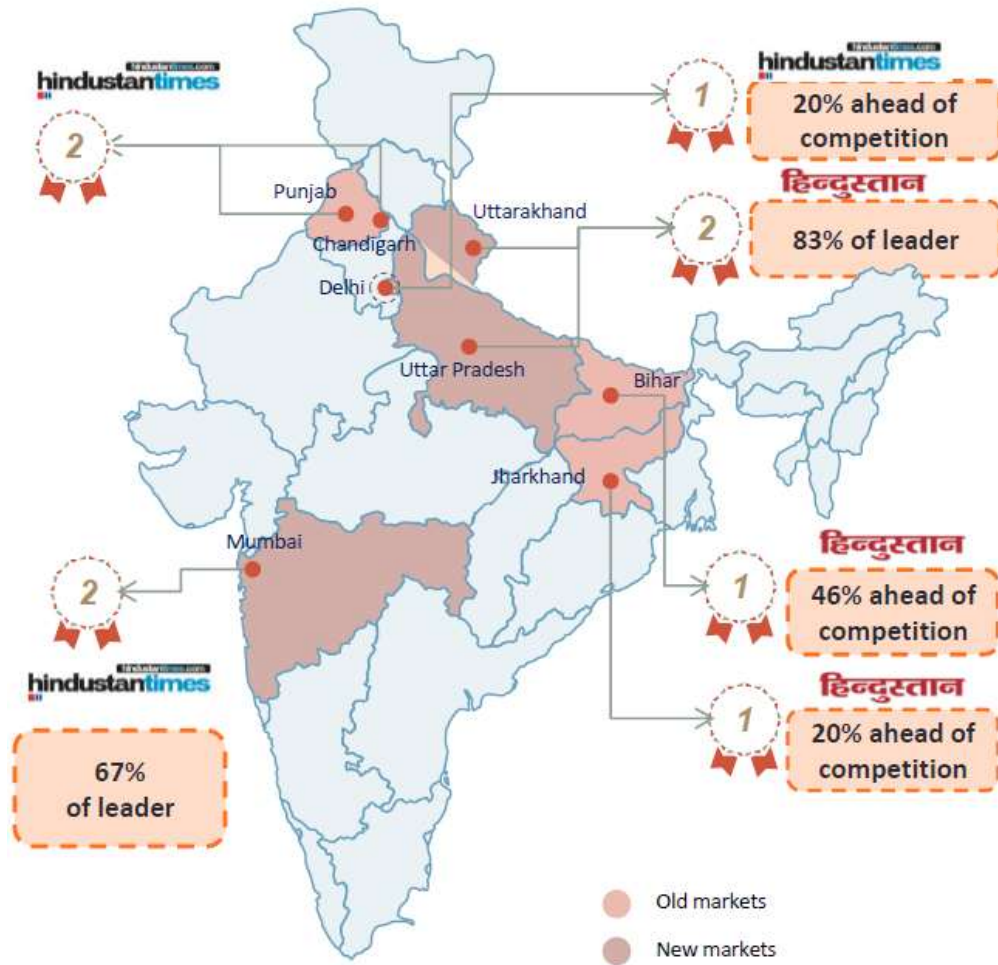
Bridge School of Management (Bridge), a joint venture between HT Media and Apollo Global Inc, US, trained over 190 students during FY16. Since Oct 2013, when Bridge opened its door to students, it has trained about 350 students, in professional programs like Predictive Business Analytics, General Management and Project Management. The Analytics program, run in collaboration with Northwestern University, was rated at No. 2 in North India and No. 6 at an All India level, by Analytics Indian magazine, a respected e-magazine in the space of Analytics. Considering the growing need for professional skills, Bridge has a promising outlook. The segment revenue remains miniscule to its overall revenues.

Pan-India content distribution footprint across traditional (Print and Radio) and new-age digital channels (e.g. Internet and Mobile)



Source: Company, HDFC SEC

Market Leadership Positions



Source: Company, HDFC SEC

Q1 FY18 Performance review

HT Media reported revenues of Rs 599 cr (-2.5% YoY). The Hindi ad revenue came in at Rs 177 crore and English ad revenues at Rs 253 crore. Subscription revenues declined 8% YoY to Rs 71 crore. Nevertheless, the company posted strong performance in the radio segment with 29.5% YoY growth to Rs 43 crore as newly launched stations continued to boost revenues.

The company continued its focus on cost savings and reported EBITDA margins of 13.3%. On the cost front, savings in raw material cost & employee expenses aided to EBITDA. Company had reported PAT of Rs 41.6 crore led by better operating performance and higher other income, albeit it got partially offset by higher-than-expected tax rate.

HT Media's English print division ad revenues continued to bleed and reported a 7.3% YoY decline. English print has begun to show the impact of digital media disruption and we expect muted growth ahead albeit the company has taken efforts to shut some of its unprofitable editions. The Hindi print ad declined due to uncertainty regarding legislations like GST and RERA, which impacted ad growth from segments such as FMCG and real estate.

The management has guided for strong recovery in Hindi segment from H2 FY18 while English segment is likely to stabilise.

HT Media, which runs the second largest English daily Hindustan Times with a readership of 3.8 million as per IRS December 2012, has declined by 2.2% over FY14-17 in its English ad revenues. English print has begun to show the impact of digital media disruption. Likely strong growth seems implausible although the company has taken efforts to shut some of its unprofitable editions. The management guided for stabilisation of English print from here and expects positive growth in both its segments in the coming year.

Radio segment continue to post robust show

The radio segment continued to post strong growth of 29.5% YoY to Rs 44.5 crore in the quarter led by the incremental revenues from the new station acquired in Phase III Auction. We expect 19.8% CAGR in the radio segment in FY17-19E to Rs 229 crore as new stations of Delhi & Mumbai start making a meaningful contribution to revenues.

Digital business losses to reduce, going ahead

HT Media's digital business revenues grew ~10% YoY to Rs 42 crore as Shine.com and digital content witnessed healthy revenue growth. Company had posted EBITDA losses of Rs 39 crore in FY17 vs. Rs 65 crore last year. The management has reiterated that losses would reduce substantially in the coming years.

Strict control on costs and turnaround in Radio & Digital would lead to margin expansion

Operating margins increased 288bps, despite the 2.5% drop in revenues, on strict cost control measures such as reducing employee cost 12% YoY. This was achieved by shrinking the company's head count and reducing hikes. In addition, RM cost was also down by 9% YoY. Despite the increase in circulation in its Hindi business, the company was able to maintain its RM cost. As for its digital business, management expects to reduce losses going forward on healthy revenue growth. The company's new radio business has already achieved break-even on strong revenue growth due to increasing capacity utilisation. We believe the cost cutting initiatives are sustainable and would further drive margin expansion.

HT Media has posted just 5% revenue growth over FY13-17. Operating Margin has also come off from 14% levels to 11.5-12%. PAT has remained virtually flat over the same period around Rs 170-180cr. We forecast 7.2% revenue cagr led by strong performance from Radio and Digital segment. Printing & Publishing revenues would grow 4% over the same period. We expect margins to improve 160bps from 12.2% in FY17 to 13.8% in FY19E. Better operational performance and lower finance costs would lead to faster PAT growth. PAT would record 12% cagr over the same period. HT Media trades at 9.5x FY19E earnings and 7.5x EV/EBITDA. Based upon ~13x FY19E EPS, we recommend BUY on HT Media at CMP of Rs 87 and add on dips to Rs 78 with Target Price of Rs 119 over the next 3-4 quarters.

Risk & Concerns:

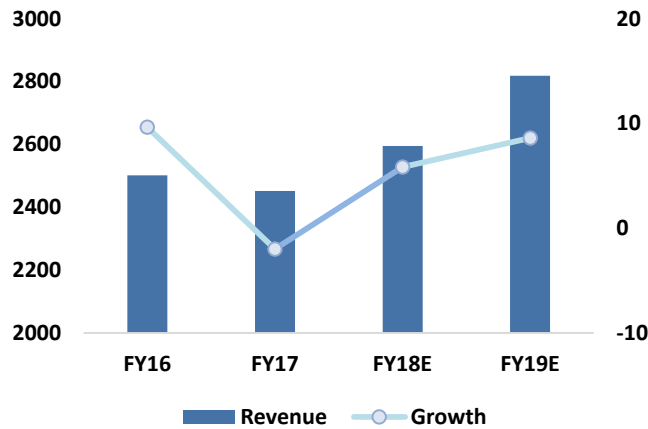
- Sharp Increase in Raw Material Prices
- Lower than expected losses from its smaller segments like Radio and Digital
- Company earns major chunk its revenue from advertising which is positively correlated to the economic activity. Any delay in economic recovery can harm the revenue growth of the company

Financial Snapshot

(Rs Cr)	Q1 FY18	Q1 FY17	YoY (%)	Q4 FY17	QoQ (%)	FY15	FY16	FY17	FY18E	FY19E
Sales	599	615	-3	585	2	2282	2502	2452	2595	2819
EBITDA	80	64	24	73	9	260	323	298	336	388
Net Profit	42	22	86	26	63	179	174	170	192	213
EPS (Rs)	1.8	0.95	86	1.1	6	7.8	7.5	7.4	8.3	9.2
P/E	-	-		-		11.4	11.8	12.0	10.7	9.6
EV/EBITDA	-	-		-		11.3	9.1	9.9	8.8	7.6

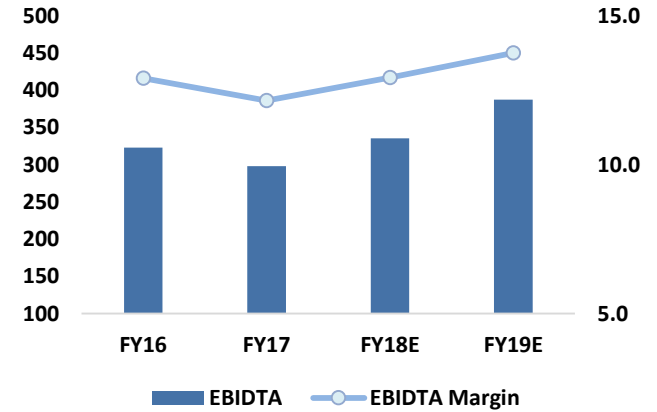
Source: Company, HDFC sec Research

Revenues to grow at 7%



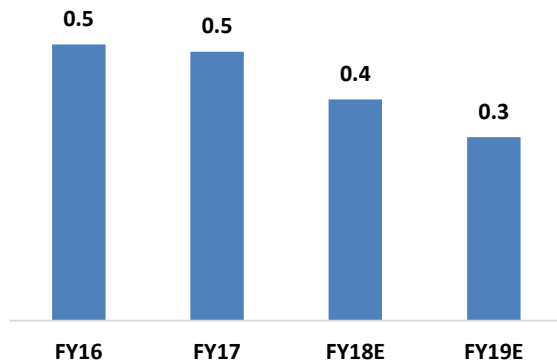
Source: Company, HDFC sec Research

EBITDA and EBITDA Margin Trend



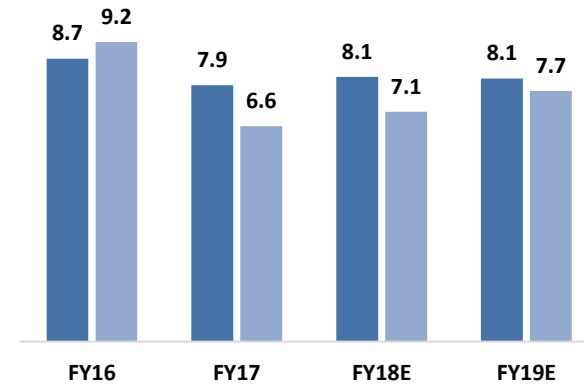
Source: Company, HDFC sec Research

D/E to come down to 0.3x



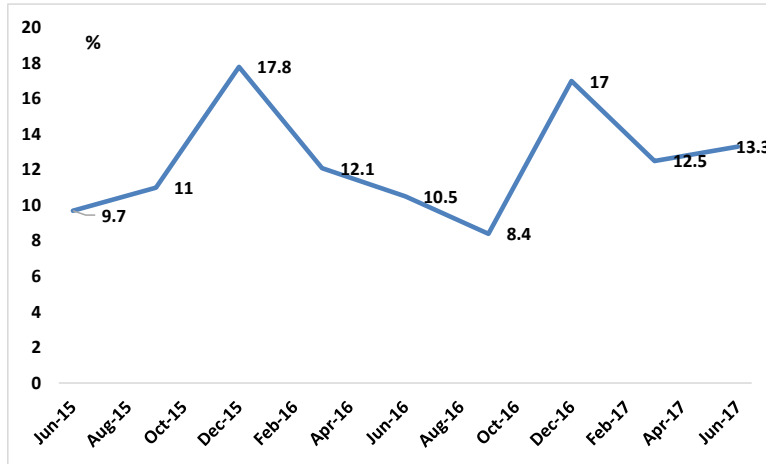
Source: Company, HDFC sec Research

Return Ratios (%)



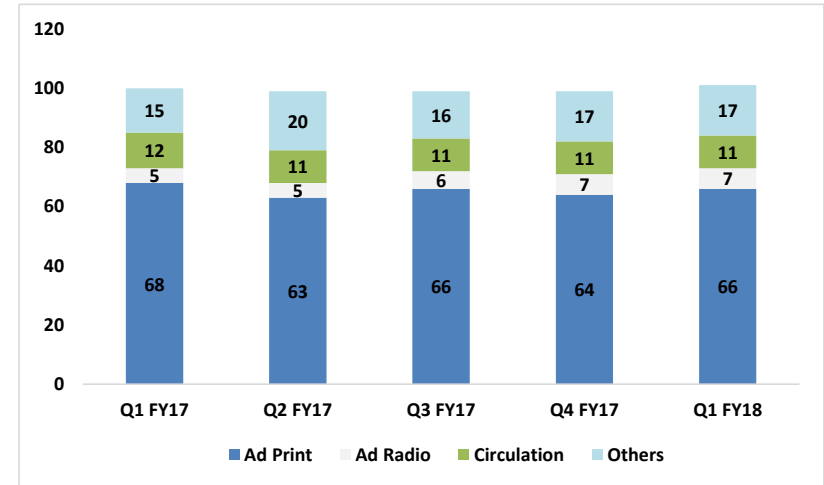
Source: Company, HDFC sec Research

Operating Margin Trend



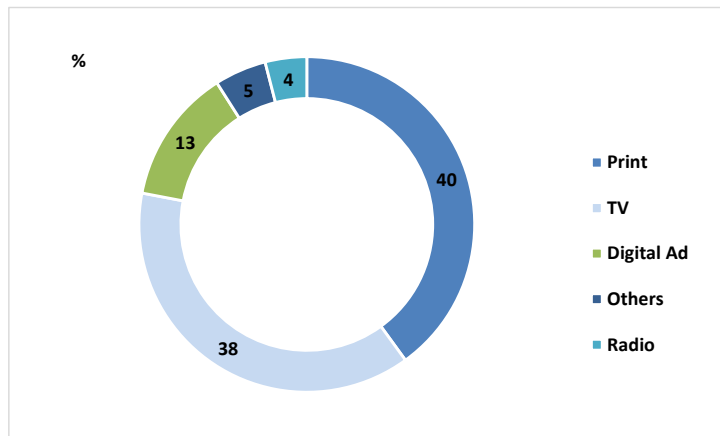
Source: Company, HDFC sec Research

Revenues Break up (%)



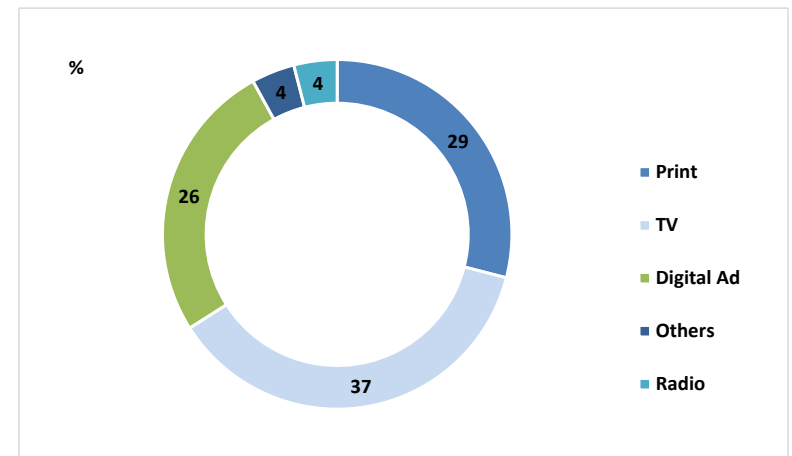
Source: Company, HDFC sec Research

Advertisement Revenue Composition (2015)



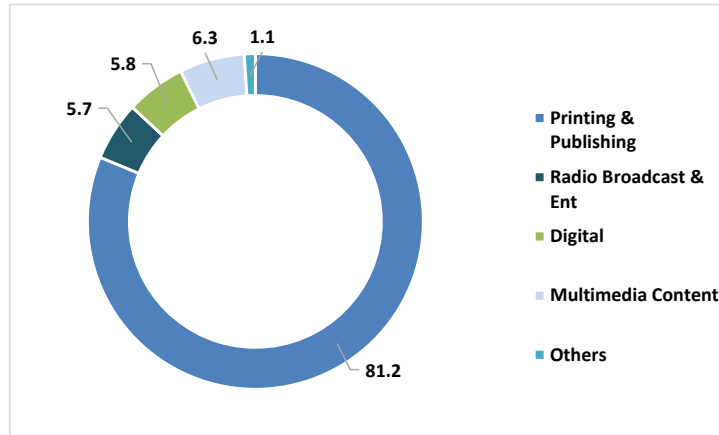
Source: Company, HDFC sec Research

Advertisement Revenue Composition (2020)



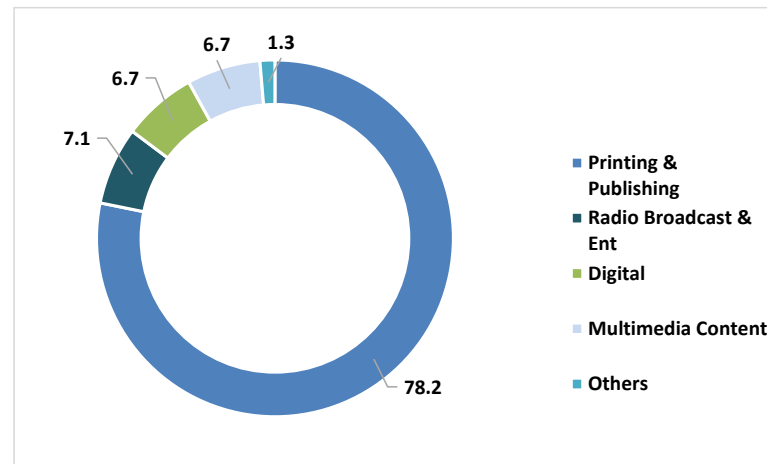
Source: Company, HDFC sec Research

Revenues Split for FY17



Source: Company, HDFC sec Research

FY19E Revenues Split



Source: Company, HDFC sec Research

Income Statement

(Rs Cr)	FY15	FY16	FY17	FY18E	FY19E
Net Revenue	2282	2502	2452	2595	2819
Growth (%)	3.7	9.6	-2.0	5.8	8.6
Operating Expenses	2022.3	2179.0	2154.0	2259.5	2431.1
EBITDA	259	323	298	335	387
Growth (%)	-17.0	24.4	-7.7	12.6	15.6
EBITDA Margin (%)	11.4	12.9	12.2	12.9	13.8
Depreciation	100	102	125	131	140
EBIT	160	221	173	205	248
Interest	47	63	95	84	81
Other Income	175.7	156.0	229.0	239.0	247.2
PBT	288	314	307	359	414
Tax	57.0	80.0	67.0	89.7	103.6
Minority Interest	-39.0	-60.0	-70.0	-77.0	-93.0
RPAT	179	174	170	192	213
Growth (%)	-5.9	7.1	2.6	12.2	15.4
EPS	7.8	7.5	7.4	8.3	9.2

Source: Company, HDFC sec Research

Balance Sheet

As at March	FY15	FY16	FY17	FY18E	FY19E
SOURCE OF FUNDS					
Share Capital	46	46	46	46	46
Reserves	1856	2036	2186	2439	2723
Shareholders' Funds	1902	2082	2232	2482	2769
Long Term Debt	68	39	17	20	25
Net Deferred Taxes	36	21	41	46	48
Long Term Provisions & Others	6	20	20	23	26
Minority Interest	192	234	300	320	345
Total Source of Funds	2204	2396	2611	2892	3213
APPLICATION OF FUNDS					
Net Block	709	1008	1102	1081	1121
Intangibles	43	313	457	457	457
Deferred Tax Assets (net)	0	58	80	80	80
Long Term Loans & Advances	1438	1418	2072	1914	1799
Total Non Current Assets	2190	2797	3711	3532	3458
Current Investments	208	731	276	305	349
Inventories	153	162	155	178	178
Trade Receivables	312	372	325	348	388
Short term Loans & Advances	294	0	17	23	28
Cash & Equivalents	192	167	140	482	758
Other Current Assets	53	65	52	65	78
Total Current Assets	1212	1497	965	1401	1778
Short-Term Borrowings	277	1018	1087	989	910
Trade Payables	484	428	403	433	444
Other Current Liab & Provisions	378	439	466	503	554
Short-Term Provisions	46	39	30	33	35
Total Current Liabilities	1185	1924	1986	1967	1967
Net Current Assets	27	-427	-1021	-566	-189
Total Application of Funds	2204	2397	2611	2892	3213

Source: Company, HDFC sec Research

Cash Flow Statement

(Rs Cr)	FY15	FY16	FY17	FY18E	FY19E
Reported PBT	274	314	307	359	414
Non-operating & EO items	-239	-125	-235	-239	-254
Interest Expenses	47	63	95	85	81
Depreciation	100	102	125	131	140
Working Capital Change	664	429	567	-122	-116
Tax Paid	-57	-80	-67	-90	-104
OPERATING CASH FLOW (a)	789	703	793	124	161
Capex	-49	-401	-219	-110	-180
Free Cash Flow	740	302	574	14	-19
Investments	-814	-38	-676	158	114
Non-operating income	176	156	229	239	254
INVESTING CASH FLOW (b)	-687	-283	-666	287	188
Debt Issuance / (Repaid)	-8	-30	-2	11	10
Interest Expenses	-47	-63	-95	-85	-81
FCFE	685	209	476	-60	-90
Share Capital Issuance	33	42	66	20	25
Dividend	-11	-11	-11	-19	-24
FINANCING CASH FLOW (c)	-33	-61	-42	-72	-70
NET CASH FLOW (a+b+c)	69	358	84	339	279

Source: Company, HDFC sec Research

Key Ratios

(Rs Cr)	FY15	FY16	FY17	FY18E	FY19E
EBITDA Margin	11.4	12.9	12.2	12.9	13.8
EBIT Margin	7.0	8.8	7.1	7.9	8.8
APAT Margin	9.6	9.4	9.8	10.4	11.0
RoE	9.8	8.7	7.9	8.1	8.1
RoCE	7.2	9.2	6.6	7.1	7.7
Solvency Ratio					
Net Debt/EBITDA (x)	-0.2	0.5	2.3	0.7	-0.4
D/E	0.2	0.5	0.5	0.4	0.3
Net D/E	0.0	0.1	0.3	0.1	-0.1
Interest Coverage	3.4	3.5	1.8	2.4	3.1
PER SHARE DATA					
EPS	7.8	7.5	7.4	8.3	9.2
CEPS	12.1	12.0	12.8	14.0	15.3
BV	83	90	97	108	120
Dividend	0.4	0.4	0.4	0.7	0.9
Turnover Ratios (days)					
Debtor days	49.9	54.3	48.4	49.0	50.2
Inventory days	30.3	23.0	23.6	25.0	23.0
Creditors days	114.8	95.8	93.7	97.0	93.0
Working Capital Days	-34.6	-18.6	-21.7	-23.0	-19.8
VALUATION					
P/E	11.4	11.8	12.0	10.7	9.6
P/BV	1.1	1.0	0.9	0.8	0.7
EV/EBITDA	11.3	9.1	9.9	8.8	7.6
EV / Revenues	1.3	1.2	1.2	1.1	1.0
Dividend Yield (%)	0.4	0.4	0.4	0.8	1.0

Source: Company, HDFC sec Research

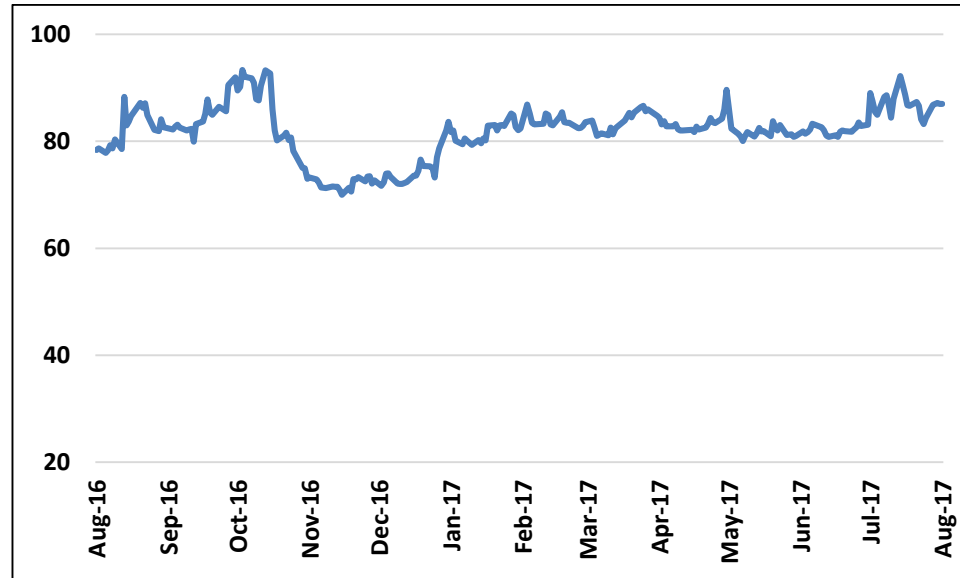
Rating Chart

R E T U R N	HIGH			
	MEDIUM			
	LOW			
		LOW	MEDIUM	HIGH
		RISK		

Ratings Explanation:

RATING	Risk - Return	BEAR CASE	BASE CASE	BULL CASE
BLUE	LOW RISK - LOW RETURN STOCKS	IF RISKS MANIFEST PRICE CAN FALL 20% OR MORE	IF RISKS MANIFEST PRICE CAN FALL 15% & IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 15%	IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 20% OR MORE
YELLOW	MEDIUM RISK - HIGH RETURN STOCKS	IF RISKS MANIFEST PRICE CAN FALL 35% OR MORE	IF RISKS MANIFEST PRICE CAN FALL 20% & IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 30%	IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 35% OR MORE
RED	HIGH RISK - HIGH RETURN STOCKS	IF RISKS MANIFEST PRICE CAN FALL 50% OR MORE	IF RISKS MANIFEST PRICE CAN FALL 30% & IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 30%	IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 50% OR MORE

Price Chart



Rating Definition:

Buy: Stock is expected to gain by 10% or more in the next 1 Year.

Sell: Stock is expected to decline by 10% or more in the next 1 Year.

Disclosure:

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Any holding in stock – No

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